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C O N F I D E N T I A L BOGOTA 003156

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TAGS: [PGOV](#) [PREL](#) [MASS](#) [MOPS](#) [CO](#) [KOMC](#) [ETTC](#) [OTRA](#) [PARM](#)
SUBJECT: INDUMIL STRUTS CONTROLS IN PREP FOR DDTC LICENSE
979308

REF: A. 05 BOGOTA 07332
[1](#)B. 05 BOGOTA 09715

Classified By: Ambassador William B. Wood
Reasons: 1.4(a), (b), (d)

SUMMARY

[1](#)1. (C) Embassy officers visited Colombian parastatal weapons importer and manufacturer Industrias Militares (INDUMIL) and verified that the plant meets Department criteria for inventory controls. However, there is no statutory framework in place to ensure continued compliance. At this upstream stage in the weapons supply chain INDUMIL has continued to improve product tracking, but doubts persist about reported downstream leakage of armaments to illegal groups, both in the transfer process from INDUMIL to COLMIL and in sales to the public via retail outlets. Septel will report on findings regarding COLMIL controls in transport, storage, and retail sales. This INDUMIL site visit coincides with the DDTC pre-licensing approval process, in which inventory controls are a core component of U.S. licensing provisos.

INDUMIL's Mandate

[1](#)2. (U) On March 23 four Embassy officers from MILGROUP, Foreign Military Sales (FMS), Political, and Economic sections met with INDUMIL's General Manager Villarreal at the company's FAGECOR plant in Soacha, Bogota. In an introductory presentation, Villarreal explained that INDUMIL holds a constitutional monopoly on the production, importation, and commercialization of armaments and related controlled substances for military and civilian use. From its three factories INDUMIL transfers weapons, munitions, and chemicals to COLMIL units, to businesses, and to 37 commercial sales outlets located at military sites. These outlets are controlled by COLMIL under the supervision of the Office of Arms Control within the Ministry of Defense (MOD). INDUMIL's responsibility for inventory controls ends upon release from its factories.

Good Inventory Controls At Plant

[1](#)3. (U) Emboffs toured FAGECOR's multiple production and

assembly workshops where INDUMIL manufactures Galil automatic rifles, .32 and .38 caliber handguns, hand grenades, RPGs, and bullets. Facility managers emphasized that each bullet, gun, and grenade is identifiable by an etched/stamped lot number, serial number, bar code, or combination of all three markings. Number series are recorded by hand in a logbook at every step in the manufacturing process. The company claimed that the use of unique serial numbers on selected individual arms is a degree of precision tracking not practiced anywhere else, even in the U.S. Finished products' bar codes are scanned at the point of departure from the factory, and their data is available real-time to the MOD. These controls are not required by Presidential Decree 2535 of 1993 which governs INDUMIL; rather their continued implementation appears to depend on the will of INDUMIL management.

Downstream Leakage Concerns

14. (C) Once products leave the factory premises, inventory control responsibility passes to the COLMIL. Decree 2535 does not require INDUMIL to keep paperwork on end user status for imported or manufactured items (ref B). Even FAGECOR's own storage facility is delimited by fencing so as to be outside the plant perimeter and on COLMIL premises guarded by COLMIL troops. It is from this stage onward that problems with losses allegedly begin. Over the course of the last year unconfirmed reports of siphoning and leakages have circulated. In one or two confirmed cases INDUMIL explosives, guns, and bullets have been found in the possession of illegal armed groups and at the sites of guerilla attacks. INDUMIL asserts that the last incident involving an attack on one of its distribution convoys was three years ago, but it acknowledges that losses of inventory do occur once products have left its premises. Of equal concern is the explicit authorization in Decree 2535 for INDUMIL to sell weapons at 37 bases nationwide. In practice, this may include weapons captured during military operations, creating a risk of recycling armaments to illegal armed groups. The retail sales of arms, both new and used, are cited by the COLMIL as an important source of revenue for individual units.

Key Business Figures

15. (SBU) One of Colombia's largest parastatals, INDUMIL is the primary supplier of guns, munitions, and explosives to the COLMIL, ahead of FMS sales to the MOD and individual services. Net profits to the MOD amounted to 63 million pesos in 2005, accounting for 75 percent of the total profits of 30 MOD-owned companies and contributing 12% of the MOD budget. Sales to the MOD are contracted either by INDUMIL (in competition with FMS), by INDUMIL acting as a middleman, or by external suppliers independently of INDUMIL. The company said it is dedicated to increasing transparency in its contracting practices. INDUMIL also said it is committed to technological development -- not just to satisfy Colombia's immediate military needs but also in preparation for an era after the end of Colombia's internal conflict, in which INDUMIL aspires to evolve into a machine-tooling company and industrial-use explosives manufacturer.

16. (SBU) On the import-export front, in-house production is approaching parity with imports, and the company estimates cost savings from import substitution at USD 28 million in 2005. As an example, an imported Galil machine gun costs \$1500-\$2000, whereas an in-house version costs only \$700. INDUMIL is in the beginning stages of becoming an exporter, most notably to its lead client Israel, for whom it will fulfill an order of 1400 unassembled 5.56 caliber Galil machine guns (10 percent of forecast 2006 production). The company is also preparing quotes to supply Peru and Mexico with explosive emulsions and hand grenades. As sources of new technology transfers, Villarreal mentioned several countries as willing back-ups to the U.S., such as Israel,

South Africa, and the Czech Republic. The company says that most E.U. countries have been unwilling to supply production machinery to them over the past four years. The U.K. approves sales merely of certain testing equipment, while Spain sometimes approves and other times denies sales.

Prelicense Verification 979308

¶7. (U) DDTC recently approved a license for a U.S. company to sell a manufacturing line for 5.56 caliber bullets to INDUMIL. The location of the 18 new machines is in the main manufacturing and assembly building at FAGECOR. The facility is readily accessible to post and currently benefits from three layers of security. On the outermost perimeter of the plant there are 5-foot high walls with barbed wire topside fencing. Between the outermost wall and the inside security features there is a full time battalion of 165 army soldiers permanently stationed at the facility. Within the inner walls of the facility there are more fences and security cameras limiting general access to sensitive areas within the plant. Current inventory controls for bullets include a new lot size of 250,000 bullets per lot, but again, each bullet casing is marked with the year of manufacture, the lot number and the insignia of the manufacturer. Villarreal explained that this is a cost saving measure that will not impact the bullets' traceability since most COLMIL units are given from 500,000 to a million bullets in each delivery. INDUMIL will be able to abide by the provisos described for license number ¶979308. INDUMIL has mentioned potentially becoming an exporter of munitions but has stated that at no time will these be commercial sales to private organizations.

Comment

¶8. (SBU) The FAGECOR tour confirms that the inventory controls implemented by INDUMIL at the manufacturing stage of the weapons supply chain satisfy security concerns. However, lack of legal requirement for their continued enforcement is a concern. What remains to be investigated and reported via septel are the more problematic later stages of transport, storage, and retail sales governed by the MOD's Office of Arms Control and outside the monitoring scope of U.S. licensing provisos.

WOOD